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SUBJECT: ASSISTANT USTR WEISEL'S MEETING WITH SENATOR
ROXAS: PHARMACEUTICALS, WTO, INVESTMENT ISSUES

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SUMMARY

11. (SBU) In a meeting with Assistant USTR for Asia Pacific and Pharmaceutical Policy on May 16, Senator Roxas agreed to work with the USG to address specific concerns regarding Senate Bill 2139, which includes provisions to expand parallel importation for pharmaceuticals. On WTO Doha Round negotiations, Roxas highlighted the GRP position which continues to be resistance to further reduction of applied tariff rates for non-agricultural market access (NAMA), as well as the need to maintain protectionism for certain agricultural products. With respect to legislation to restore tax incentives to businesses in the Clark Special Economic Zone, Roxas said that the Senate unanimously agrees that the legislation should be passed. The legislation is still in Committee, but may emerge in a broader piece of legislation dealing with other incentive issues, which could slow down its passage. END SUMMARY.

ROXAS ON WTO DOHA ROUND

12. (SBU) AUSTR Weisel, accompanied by Econ Counselor, Commercial Counselor, and Econoff, requested that Senator Roxas, as Chair of the Senate Committees on Economic Affairs and on Trade and Commerce, support the US in the WTO Doha Round negotiations. Roxas said that the GRP still has problems with the NAMA formula, which requires more aggressive tariff cuts than the Philippines is willing to make. Roxas argued that the RP's average applied tariff rates are low compared to the rest of the region. "We are not getting any credit for that. We are starting from a lower base with no room to readjust." Roxas said that the GRP also has issues with the agricultural provisions since the RP does have limited products that it wants to protect. He cynically concluded that in the end, "We are background noise. Chances are that we will end up going along to get along and then suffer the consequences."

SENATE UNANIMOUS ON NEED FOR LEGISLATION ON CLARK

13. (SBU) On legislation to restore Clark tax incentives, Roxas said that he knows that it is sensitive for investors. Despite unanimous agreement within the Senate to address the problem, members disagree over how it should be done. The Chair of the Ways and Means Committee, Senator Ralph Recto, wants to incorporate language restoring Clark tax incentives into a broader piece of legislation that addresses a range of incentive issues, he said. As it stands, the Senate is ready to pass legislation on Clark, but if it gets linked to other incentive issues, Roxas predicted that disagreements could slow it down. Roxas added that the Senate can work on the legislation only after it comes out of the Ways and Means Committee, so he said he hoped that Recto will keep the Clark legislation separate from other incentive proposals.

ROXAS WILLING TO COMPLY WITH TRIPS

14. (SBU) Weisel raised concerns about Senate Bill 2139 (SB2139), known as the "Roxas Bill," which proposes to amend the Intellectual Property Code of the Philippines in order to expand the RP's parallel importation program for pharmaceuticals to include patented medicines. Roxas said that he wrote the legislation in order to make medicines more affordable to the average Filipino. He said, "The real goal is to try and create more competition in the domestic market. There are 85

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million people here, but the actual purchasing power of that population is much smaller."

15. (SBU) Weisel suggested alternative means to address the issue, including tariff and excise tax reductions on pharmaceutical products. Roxas commented that this was a "fair point" and that he "really appreciated the exchange." He said that he sees SB2139 as one way to address the problem, but recognizes that there are other things the GRP should be doing. Weisel said that countermeasures for counterfeit medicines also deserve attention as new policies and legislation are considered.

16. (SBU) In response to the USG's request for clarification on certain provisions that pose possible compliance issues with respect to Trade Related Aspects of Intellectual Property Rights Agreement (TRIPs) (reftel), Roxas said that the legislation has already been reworked. The Intellectual Property Office (IPO) recommended changes in order to ensure TRIPs compliance, which have been accepted verbatim. Roxas said that he would send the Embassy a copy of the updated bill. He expressed interest in working with the USG to resolve potential TRIPs issues.

COMMENT

17. (SBU) The meeting was positive and focused on constructive ways to ensure that SB2139 is TRIPs compliant. The draft legislation has met with increasing support from local interest groups but harsh criticism from the pharmaceutical industry. Being able to raise TRIPs-related concerns about specific provisions (reftel) contributed to the positive tone of the meeting. In previous meetings, Roxas had asked us to identify specific issues so that he could work with us to address them. Now that the USG has done that, he

seemed willing to follow through. Ultimately, he will be responsible to his constituents and their demands for cheaper medicines, but there is now an opportunity to collaborate and ensure that new legislation addresses USG concerns.